


URGENT BUSINESS AND SUPPLEMENTARY INFORMATION
Executive
7 October 2019

Agenda Item Number	Page	Title	Officer Responsible	Reason Not Included with Original Agenda
12.	(Pages 1 - 6)	Financial Management System It was anticipated that this report would be exempt, however, in the drafting officers have determined the report be public with an exempt appendix. Should Members have questions on the exempt appendix, the press and public will need to be excluded, but decisions on the report should be made in public	Executive Director Finance (Interim)	Report being reviewed and finalised at time of agenda publication
14.	(Pages 7 - 10)	Financial Management System - Exempt Appendix	Executive Director Finance (Interim)	Report being reviewed and finalised at time of agenda publication

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Cherwell District Council

Executive

7 October 2019

Finance System Replacement

Report of Executive Director Finance (Interim)

This report is public

The appendix to the report is exempt from publication by virtue of paragraph 3 of Schedule 12A of Local Government Act 1972

Purpose of report

This report seeks approval for increased capital funding for the replacement of the financial management system following the end of the current contract with Civica.

1.0 Recommendations

As part of the budget setting process for 2019/20, the Council approved a capital project to replace the financial management system. Following the separation of Cherwell and South Northamptonshire Council (SNC), engagement with the market and other councils who have recently replaced their system, the budget requirement has been revised. Therefore, Executive is recommended to:

- 1.1 Approve additional capital funding.
- 1.2 Note the estimated revenue impact.

2.0 Introduction

- 2.1 The Council currently utilises Civica Financials under a contract which has an initial five-year term which expires on 31 March 2020. The system is intended to be a business tool serving the whole organisation through an accessible on-line portal and flexible reporting tools. The system, and the associated processes, do not meet the Council's needs.
- 2.2 Council approved the procurement of a new finance system in the 2019/20 budget setting process. The most effective route to market at this time is a full open procurement to encourage all relevant suppliers to engage with the Council via a tender process.
- 2.3 The implementation of finance systems is inherently complex and it is typical for local authorities to experience high levels of risk and challenge which would need careful skilled management and resources. The Council would need to put in place the infrastructure to ensure that the procurement, implementation and on-going contract

management can operate and deliver as a strong client, which in turn will result in a strong supplier and a successful long-standing relationship.

- 2.4 To ensure sufficient time to decommission the existing system and procure and implement the new system the Project Board have negotiated an 18-month extension of the original contract, as permitted within the existing contract and the original procurement process. This will allow a robust procurement and implementation timeframe for a go-live date of April 2021. This length of extension is also in line with the system requirements of SNC. SNC are a joint party to the current contract and are expecting to join the new unitary on that date and will move to the system procured by that entity.
- 2.5 Over the last few months, the Project Team have been preparing the necessary documents ready for tendering the contract. This has involved extensive engagement with all services and teams to establish the requirements of the organisation. The team has also conducted a supplier event in order to get some initial feedback and intelligence from the market.
- 2.6 In order to implement a new system by 1 April 2021 the Council will need to issue the invitation to potential bidders by November 2019. This will allow for implementation to begin in March 2020, with go-live in April 2021. Decommissioning the existing system will begin following the closure of the 2020/21 accounts in September 2021. A detailed description of the timeline is detailed in section 3.7.
- 2.7 The financial implications in exempt Appendix 1 detail the one-off capital implementation costs and the estimated on-going revenue consequences over a suggested five-year contract. The financial implications cannot be fully detailed until the outcome of the procurement and successful tender has been evaluated, although the recent supplier event and discussions with other Councils who have recently completed finance system upgrades, suggest an estimated outline capital project cost as referred in the exempt appendix.

3.0 Report Details

- 3.1 The Council approved a capital bid to replace Civica on a joint basis with SNC in the 2019/20 budget round. Since then the Project Team has engaged with the business to compile a comprehensive set of user requirements and recently facilitated a very successful Supplier Engagement Day. The event was attended by five of the main suppliers who engaged with a range of officers from both the finance team and, importantly, from across the Council. This event demonstrated that there is significantly improved functionality available in the market to both enhance the operation of the finance team and also, importantly, the reporting abilities for budget managers.
- 3.2 Discussions with other Councils and our own recent experiences demonstrate the importance of undertaking well-resourced and supported procurement and implementation processes to ensure a successful system is delivered and that the whole Council is supported to maximise the available functionality. The Council will need to ensure that it not only deploys its most capable finance and IT staff to this procurement and implementation but also supports those resources with appropriate external capabilities.

- 3.3 The current contract has an initial five-year operating licence (with a one-off cost), along with annual support and maintenance which are shared equally with SNC. These amounts are detailed in Appendix 1. Following separation from SNC the Council will procure and implement a separate contract losing the economy of scale that partnership brought. An investigation of new partnership opportunities, for example with Oxfordshire County Council (OCC), has been undertaken; however, OCC's fully integrated SAP solution is not suitable for CDC's needs, given our needs are different from OCC's and has a higher annual cost for the Council than the alternatives we can procure ourselves.
- 3.4 Officers have estimated the capital cost of the procurement and implementation as well as the likely revenue costs of a five-year contract. When compared to the existing revenue and capital budgetary provision, a shortfall has been identified. The procurement process would allow the Council to refine these estimates although, in terms of seeking approval to progress through to a procurement phase, appropriate sources of funding need to be in place beforehand.
- 3.5 There are two primary elements to the project. The first, the implementation phase, is predominantly capital costs and the second, the on-going contract, is revenue. The capital costs include three main elements:
- the contract with the supplier,
 - the Council staffing resource supporting the implementation
 - a contingency of 20% of the project budget

The secondary revenue element includes:

- The existing Civica contract and 18-month extension
- some implementation costs that cannot be capitalised

4.0 Conclusion and Reasons for Recommendations

- 4.1 The current initial five-year term of the contract with Civica ends on 31 March 2020. The Council approved the replacement and the best route is via a full and open tender process to secure a new finance system that will meet the Council's business needs – initially for a five-year period, but potentially for up to a further five years – possibly providing the finance functionality for the next decade.
- 4.2 The requested budget increase reflects the cost of adequately resourcing the project to ensure its success, the prices indicated in the current marketplace, the loss of economies of scale following the separation from SNC and the extension of the current Civica contract for 18 months.

5.0 Consultation

In order to develop the requirements and specification of the new system in preparation of the procurement stage, extensive consultation has occurred with staff across the organisation. This process has been invaluable in identifying the needs and requirements of all service areas. Suppliers were also invited to attend an event attended by officers from across the Council. From this the Project Team learned the improved functionality available on the market. The Project Team also approached other councils who have recently implemented new finance systems to benefit from their 'lessons learnt'.

6.0 Alternative Options and Reasons for Rejection

The following alternative options have been identified and rejected for the reasons as set out below.

- 6.1 Option 1: Extend the existing contract with Civica for a period of up to five years. This has been rejected due to the limited functionality being provided by the system and the inability to provide the high-quality financial reporting information identified in our user requirements gathering exercises.
- 6.2 Option 2: Enter into a partnership with another council, such as Oxfordshire County Council (OCC). OCC currently use an extensive integrated Enterprise Reporting and Performance system that combines finance, HR and payroll, income and debt management and procurement functions, which would require the Council to fundamentally change its approach and more importantly costs more than the solutions presented here

7.0 Implications

Financial and Resource Implications

- 7.1 The project has been costed to ensure the best possible outcome for the Council. This has been informed through engagement with councils of a similar size to Cherwell who have recently replaced their financial systems. The feedback from them is that adequately resourcing the project is key to its success. It is best practice to involve existing Council staff in the project in order to retain the expertise gained during the implementation; however, those people need to be fully backfilled for the duration of the project so that they are able to fully devote their time to the project without the distraction of business as usual that could put the project at risk of late delivery and additional cost otherwise.
- 7.2 The figures in Appendix 1 detail the costs which make up the total proposed capital budget and demonstrates the impact on the revenue Medium Term Financial Strategy (MTFS).
- 7.3 The revenue costs in 2019/20 can be met from projected underspends within the service. Ongoing revenue costs can be factored into the MTFS. Additional capital costs can be managed through the council's overall Treasury Management and Capital Strategies. The revenue implications, including interest and MRP, can also be built into, and managed by, the MTFS.

Comments checked by:

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Legal Implications

- 7.4 The Council is required to conduct a robust and open procurement process in order to obtain the most economically advantageous tender in accordance with the Public Contract Regulations. The Project Team is working towards undertaking such a

procurement process and the legal team has been engaged to provide support to ensure that the Council complies with the procurement regulations.

The current contract with Civica, and the procurement process which led to that contract, both allowed for that contract to be extended by up to 5 years and as such, that extension is also compliant with the procurement regulations.

The legal team will be available to provide assistance and advice as required to ensure that the Council undertakes a compliant procurement process to minimise the risk of any challenge. The legal team will also be available to assist in the preparation and completion of an appropriate form of contract with the eventual successful contractor to ensure suitable contract management tools are available to robustly manage the new contract in accordance with the specification which the Project Team produces to set out the Council's requirements

Comments checked by:

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Risk

- 7.5 If the Council were to continue with the current system it is unlikely we will be able to drive the development and improvements of financial reporting and management within the Council, with increased risk of continued manual support and intervention required to complete basic activities, including reporting and Statutory Accounts with an additional burden on finance team resource and BAU.

A new finance system can be both challenging and complex in its procurement and implementation, if a robust strong procurement is not appropriately resourced and executed with market analysis, engagement and assessment the Council may receive poor quality submissions and ultimately too many or too few responses.

If adequate resource is not assigned for the full life cycle of the project and capacity released with specific expertise within the different phases then a successful implementation cannot be assured. This will require appropriate funding.

Implementation, including design, build, testing, training and decommissioning, requires appropriate funding with estimates above potentially increasing and decreasing as the project progresses.

All risks are being monitored with direction, leadership and governance and the contingency budget seeks to cover these risks. As the project progresses, we will have greater understanding of the true costs. The above will be monitored as part of the services operational risk register and escalated to the Leadership Risk Register as and when necessary.

Comments checked by:

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8.0 Decision Information

Key Decision

Financial Threshold Met: Yes

Community Impact Threshold Met: No

Wards Affected

All

Lead Councillor

Councillor Tony Ilott, Lead Member for Financial Management and Governance

Document Information

Appendix No	Title
1	Exempt - Financial Outline/Estimates (Pre-Procurement)
Background Papers	
None	
Report Author	Dominic Oakeshott – Assistant Director, Finance (Interim)
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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

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